Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 STATE 138497

15
ORIGIN NEA-12

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DRAFTED BY NEA/INS:DKUX:MB
7/13/73 X21289
APPROVED BY NEA:AHMEYER
DOD/ISA - COL. HALE
DOD/GC - MR. HERO
DOD/OSAA - MR. GRAND PRE
L/PM - MR. MICHEL
PM - DR. NORLAND
INS - MR. LAINGEN
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R 140106Z JUL 73
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI
INFO CINCPAC

C O N F I D E N T I A L STATE 138497

E.O. 11652:GDS
TAGS: MASS, IN
SUBJ: PEACE INDIGO

1. WE ABLE ANSWER SOME, BUT NOT ALL QUESTIONS PUT BY INDIAN DEFSEC NARAIN ON PEACE INDIGO AT THIS TIME. IT THEREFORE SEEMS BEST THAT YOU GIVE HIM TENTATIVE RESPONSE PER PARAS 2 AND 3 FOLLOWING AND REQUEST THAT GOI SUPPLY US MORE DETAILED INFORMATION RE PROJECT MODIFICATIONS AND DESIRED ADJUSTMENTS OF PAYMENT SCHEDULE. YOU CAN INDICATE THAT USG SHARES GOI WISH THAT THIS PROJECT CAN NOW AGAIN MOVE FORWARD.

2. NARAIN'S FIRST QUESTION RELATED TO USING FMS CREDITS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 138497

FOR PURPOSES OTHER THAN THOSE PREVIOUSLY INDICATED IN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

USG-GOI,CREDIT ARRANGEMENT. UNTIL WE HAVE MORE INFO ON WHAT GOI HAS IN MIND, WE CANNOT GIVE DEFINITE ANSWER. WE HAVE FLEXIBILITY PROVIDED, OF COURSE, PROPOSED CHANGES ARE CONSISTENT WITH STATUTORY REQUIREMENTS OF FMS LEGISLATION AND CONFORM TO CURRENT POLICY RE US PROCUREMENT, ETC. FOR EXAMPLE, WE WOULD NOT REPEAT NOT FINANCE WITH FMS CREDITS MANUFACTURE IN INDIA OF ITEMS ORIGINALLY INTENDED TO BE PURCHASED FROM US. IN THIS REGARD, IT MIGHT BE USEFUL IF GOI INSTRUCTED INDIA SUPPLY MISSION IN WASHINGTON TO PRESENT INDIAN IDEAS IN DETAIL TO DOD/DSAA OR SENT COMPETENT OFFICIAL FROM DELHI FOR THIS PURPOSE.

3. SECOND QUESTION RELATED TO POSSIBLE ADJUSTMENTS IN REPAYMENT SCHEDULES AS RESULT OF DELAYS IN USING CREDIT CAUSED BY EMBARGO. USG WILLING IN PRINCIPLE AGREE TO SOME MODIFICATION OF THE REPAYMENT SCHEDULE TO PROVIDE FOR SHORT PERIOD OF MORATORIUM, BUT LAW PREVENTS EXTENSION OF REPAYMENT PERIOD BEYOND 10 YEARS FROM DATE OF INITIAL DISBURSEMENT. USG CAN ALSO REVISE DISBURSEMENTS SCHEDULE (NONE OF WHICH SO FAR MADE) AND MAY, IF REQUIRED,EXTEND DATE FOR FINAL USAGE OF FUNDS FROM DECEMBER 1974 DEADLINE IN CREDIT AGREEMENT. WE WOULD PREFER TO HOLD OFF ON SPECIFIC REVISED SCHEDULE UNTIL WE HAVE MORE DETAILED IDEA OF WHAT INDIANS HAVE IN MIND.

4. WITH REGARD TO COURT PROCEEDINGS BETWEEN DCA AND GOI, AS WELL AS RENEGOTIATION OF COMMERCIAL CONTRACTS AND STATUS OF REL-REEVES, WE AGREE WITH CHARGE'S RESPONSE TO DEFSEC, AS REPORTED IN NEW DELHI 7657.

5. FYI: WE UNDERSTAND FROM REL-REEVES VP (FORMER DCA WASHINGTON REP BUZ WILLIAMS) THAT INDIAN PEACE INDIGO PROJECT MANAGER, EMBASSY ASST. AIR ATTACHE AND INDIAN SUPPLY MISSION FINANCIAL OFFICER VISITED REL-REEVES FACTORY IN FLORIDA LAST WEEK AND RECEIVED BRIEFING ON COMPANY'S FINANCIAL STATUS. REL-REEVES HAS ALSO HEARD FROM ITS INDIAN AGENTS THAT GOI WOULD LIKE REVISE PROJECT TO MANUFACTURE BULK OF FORMER REL-REEVES CONTRACT IN INDIA LEAVING US COMPANY WITH ONLY RELATIVELY SMALL SHARE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 138497

OF EARLIER CONTRACT. NO PROPOSAL AS YET MADE TO REL-REEVES. COMPANY WILLING GIVE UP CONSULTANCY, PROVIDED IT PAID FOR PAST SERVICES, BUT WILL NOT AGREE TO DROP MANUFACTURING OF EQUIPMENT WHICH MAJOR PORTION OF ITS CONTRACT. RE COURT CASE, REL-REEVES NOW FEELS IT HAS STRONG POSITION AGAINST GOI SINCE IT PREPARED TO PERFORM IN ACCORD WITH CONTRACT AND NO LONGER BLOCKED FROM DOING SO BY EMBARGO. END FYI. RUSH

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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US Department of State
EO Systematic Review
30 JUN 2005

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